

PRESALE ANALYSIS

PUBLIC FINANCE

THE AUTHORITY ON CREDIT QUALITY

SAN ANTONIO, TEXAS

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RATING ASSIGNED

OUTLOOK: STABLE

LONG TERM



NEW ISSUE

\$178 million hotel occupancy tax revenue
bonds series 1996

Rating: A+

Sale date: March 12, 1996

Investment banker: Smith Barney Inc.

RATIONALE The rating on San Antonio, Texas' bonds reflects:

- A strong and diverse regional economy ('AA' G.O. debt; stable outlook);
- A historically rapidly growing hotel occupancy tax base, with anticipated new hotel construction over the next five years, increasing the tax base more than 25%;
- Adequate legal provisions highlighted by an additional bonds test requiring 1.5 times (x) coverage of maximum annual debt service on existing and proposed debt and a reserve account funded at \$15.5 million;
- Strong debt service coverage, with pledged revenues of \$25.6 million for the 12 months ending Nov. 30, 1995, providing 1.65x coverage of maximum annual debt service.

date larger national conventions requiring greater space. The facility is within walking distance of hotels with 7,500 rooms, a regional mall, and various restaurants and shops in the downtown area and along the River Walk.

OUTLOOK The outlook anticipates the city's continuing commitment and support of the convention industry and related growth in pledged revenues. Legal provisions and solid debt service coverage provide additional comfort.

CONVENTION CENTER The Henry B. Gonzales Convention Center was originally built as part of the 1968 World's Fair Hemisfair in San Antonio. Subsequent expansions and renovations in 1977 and 1987 increased exhibit space to 242,000 square feet. The facility consists of two exhibit halls, two banquet halls, supporting meeting spaces and the Lila Cockrell Theater.

The goal of the expansion project is to maintain the center's existing customer base; whose growth requirements in space require greater contiguous exhibition space, and to attract larger groups currently being served by larger facilities. The expansion also will encourage the growth of San Antonio's \$3.1 billion a year tourism industry.

Once completed, the expansion will bring San Antonio in direct competition with other midsize facilities in terms of space available. The total area of the facility, which includes exhibit space, meeting, banquet and ballroom space will increase from 540,000 square feet to 1.2 million square feet. Construction of the new section is expected to be completed by April 1999, at which point renovation of the existing space will begin. The entire project is scheduled to be complete by January 2001.

Table 1

San Antonio, Texas hotel occupancies and average daily room rates

Year	Room count	% change	Room rate (\$)	% change	Hotel occupancy rate (%)
1987	18,622	N.A.	48.51	N.A.	60.7
1988	19,662	5.58	50.17	3.4	67.8
1989	19,764	0.52	54.08	7.8	68.8
1990	19,973	1.06	59.14	9.4	69.7
1991	19,973	0.00	60.83	2.9	70.1
1992	20,362	1.95	65.50	7.7	73.4
1993	20,974	3.01	71.41	9.0	72.8
1994	21,841	4.13	73.63	3.0	71.1
1995	22,800	4.39	75.63	3.2	67.2

N.A.—Not applicable.

The bonds are secured by a pledge of 7.25% of the city's 9% hotel occupancy tax. Proceeds will be used to double the size of the existing Henry B. Gonzales Convention Center in downtown San Antonio on the River Walk. Exhibit space will increase from 240,000 square feet to 440,000 square feet. The expansion will provide facility to retain the existing customer base and accommo-

ECONOMY With a population of over 960,000, San Antonio is the third-largest city in Texas and ninth in the nation. The economy encompasses a large military, regional retail center, tourism, and growing construction industries. Within Texas, San Antonio's population growth is only second behind Austin. Over the past decade about 8,000 jobs have been created annually, mostly in the

This "Public Finance Presale Analysis" is an advance copy of material scheduled to be published in the next issue of *CreditWeek Municipal*. It has been prepared near press time, and, although every effort has been made to ensure its accuracy, some information may be subject to change.

rapidly expanding service sector. An estimated \$1 billion in corporate investment has occurred over the past four years. Following tax base declines from 1989-1993, renewed residential and commercial expansion resulted in a strong three-year assessed valuation growth trend including 11.1% in fiscal 1996.

Table 2
San Antonio, Texas convention statistics

Year	Annual conventions	Room nights
1987	852	534,065
1988	887	685,320
1989	1,089	728,641
1990	1,128	797,055
1991	1,205	784,448
1992	1,362	834,202
1993*	1,656	1,008,378
1994	1,659	942,359
1995	1,535	982,051

*Calendar year 1993 was an exception to the growth trend as a result of three major conventions, requiring about 115,500 room nights. Adjusting the 1993 room nights by 115,500 would result in a yearly total of 892,878 room nights.

The military presence continues to play a leading role in the city's economy but will experience some near-term dislocation with Kelly Air Force Depot facilities expected to lose 9,000 of its 20,000 jobs by 2001. Of the remaining 11,000 jobs, 5,000 will be privatized, and the city hopes to attract 10,000 additional commercial and aerospace private sector jobs as the base transitions to a "world-class industrial park". Two other military bases located in Bexar County were spared, accounting for 34,000 jobs.

The city's proximity to Mexico and location on Highway I-35 provide favorable conditions for international business relations in agriculture, tourism, and manufacturing and distribution industries. San Antonio is a popular tourist destination for Mexicans living in Texas and the U.S. Tourist attractions including Fiesta Texas (Six Flags), Sea World, Fiesta Week, the Alamo, and the River Walk add to the city's appeal. The North American Free Trade Agreement has shown signs

of strengthening these relationships and broadening San Antonio's economy. San Antonio felt minimal effects from the peso devaluation in early 1995.

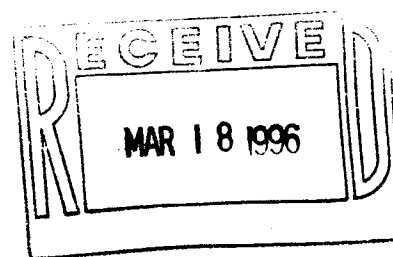
PLEDGED REVENUES Hotel occupancy tax revenues have demonstrated solid growth, increasing an average annual rate of 8.6% from 1990-1995. This growth can be attributed to the regions solid economic growth, a booming convention trade, related hotel/motel construction, and room rate increases. Since 1990, the city's total room count increased 14%, from 19,973 to 22,800 in 1995. The average daily room rate also increased to \$75.73 (see table 1) in 1995 from \$59.14 in 1990. These relatively low room rates contributed to the city's success in attracting conventions. The city's hotel occupancy rate of 67.2% for 1995 is slightly below 1990's 69.7%. New hotel/motel construction continues, however, with the announced development of 6,600 new rooms planned over the next five to six years. Much of the anticipated development is in limited service hotel/motels, which charge below average rates. The addition of these facilities, however, should considerably boost the hotel tax base.

Offsetting the above factors, some concentration exists in the tax base. The top 10 hotels within the city represent about 20% of total rooms available, and 44% of the city's hotel occupancy tax receipts for fiscal 1995. Most of these hotels are located along or near the city's River Walk. The announced development plans for the next five years, however, should help to diversify the concentration as many of the limited service facilities are being built in suburban areas.

Growth in annual conventions also has been strong. In 1990, the city hosted 1,128 (see table 2) conventions, accounting for 797,055 room nights. These numbers for 1995 increased to 1,535 conventions and 982,051 room nights. It is anticipated that the number of annual conventions will increase marginally through the convention center construction period, and then demonstrate greater growth after project completion in 2001.

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San Antonio, Texas

Rating

Hotel Occupancy Tax Revenue Bonds,
Series 1996* A
Credit Trend Stable

*The bonds are expected to be insured by Financial Guaranty Insurance Co., whose claims-paying ability is rated 'AAA' by Fitch.

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New Issue Details

Approximately \$178,000,000 Hotel Occupancy Tax Revenue Bonds (Henry B. Gonzalez Convention Center Expansion Project), Series 1996, were expected to sell March 12 by a syndicate led by Smith Barney, Inc. The bonds are currently structured as current interest serial bonds maturing Aug. 15, 2000-2010, capital appreciation bonds maturing Aug. 15, 2011-2020, and current interest term bonds maturing Aug. 15, 2021-2026. Optional redemption features are to be determined.

Security: The bonds are secured by the 2.00% expansion hotel occupancy tax, 5.25% (of the 7.00%) general hotel occupancy tax, and interest earnings on bond funds.

Purpose: Bond proceeds will finance the costs of the Phase I expansion and renovation of the Henry B. Gonzalez Convention Center.

Outlook

The 'A' rating reflects the adequate coverage provided by pledged revenues, satisfactory security features, and the strength of the underlying tourist economy. Although hotel occupancy receipts are inherently volatile, San Antonio's actual receipts for the past five years demonstrate stability, reflective of the city's popularity as a tourist and convention destination. The series 1996 bonds have been structured so that the pledged expansion hotel occupancy tax (HOT) will be sufficient to cover debt service, assuming a 5.00% annual increase. In addition, the bonds are secured by a 5.25% pledge of the 7.00% general HOT. The 1.93 times (x) average coverage of proposed debt service by 1995 expansion HOT revenues is adequate and provides margin for a significant decline in revenues. Since pledged hotel occupancy taxes will rise with hotel prices, future growth is likely. In addition, the city has had a significant number of new hotel rooms constructed in the last year and more are currently being built, increasing potential revenues. Future dilution of coverage is moderated by the 1.25x additional bonds test. The credit trend is stable.

Rating Considerations

The bonds are secured by the 2.00% expansion HOT and a pledge of 5.25% of the 7.00% general HOT. The expansion HOT was first levied in 1994. This issue has been structured so that the pledged expansion

March 13, 1996

FITCH
ESTABLISHED 1913

HOT will be sufficient to cover debt service, assuming a 5.00% annual increase in expansion tax receipts. For comparative purposes, total tax receipts of the general HOT grew by 39.20% between 1991–1995 and have declined on an annual basis only once in the last 20 years. The 1.93x coverage of proposed average debt service by 1995 pledged revenues is adequate, as is the estimated maximum annual debt service (MADS) coverage at 1.65x. Although the sensitivity of tax receipts to tourism trends is a concern, San Antonio has demonstrated a consistent and year-round appeal as a tourist and convention destination. While significant new construction and expansion of hotel rooms are under way, the additions, to date, have not led to excess capacity and price cutting.

Strengths

- Sound debt service coverage.
- Demonstrated tourism and convention demand.
- Strong underlying economic base.
- Hotel tax increased to support these bonds.

Risks

- Potential volatility of the pledged revenue stream given the general sensitivity of tax receipts to tourism.
- Dependence of convention center on excess pledged revenues for operations.

Expansion Project

The Henry B. Gonzalez Convention Center is located in the city's downtown area within walking distance of 7,500 rooms and the River Walk, San Antonio's popular tourist and retail center. The convention center was originally built as part of the 1968 World's Fair held in San Antonio; its first expansion was completed in 1977 and the last in January 1987. The facility, with 242,000 square feet, currently ranks an estimated 22nd in the U.S. in size. The city projects that, without this expansion project, the convention center's ranking would fall to 28th. While the opening of the Alamodome in May 1993 added another 160,000 square feet of exhibit space to the city's inventory, helping the city meet an unmet demand for servicing large assembly groups and midsize trade shows, this exhibit space is not contiguous with the convention center. In addition, the existing convention center lacks supplemental function space, such as ballrooms, which is necessary to service large national trade shows.

The expansion of the convention center is planned in two stages and designed to allow the convention center to book larger conventions as well as retain its existing customer base. The first stage of this plan calls for the expansion of the convention center to 440,000 from 242,000 square feet of contiguous exhibition space. The construction schedule calls for construction to begin November 1996 and be

completed by April 1999. The total construction schedule for the first stage of the plan is currently \$187.8 million, with construction overruns to be reconciled through contingencies in the construction budget. Once completed, the convention center will use the new space for convention functions and will begin improvements and upgrades to the existing facilities. This second stage of the expansion project is scheduled to be completed by January 2001.

Both stages will be completed as separate projects, allowing the other section of the convention center to operate at full capacity. Thus, any potential loss of facility or hotel revenue due to ongoing construction at the convention center is mitigated. Upon completion of stage two of the expansion, all exhibit space at the center will be contiguous. In addition, the city recently has renovated the adjoining Hemisphere Park and plans to extend its popular River Walk to connect it to the convention center. Finally, the city has a five-year downtown strategic plan that includes providing adequate parking for new development. Even with this expansion, the convention center likely will compete primarily with regional convention centers in the Southwest, not national ones. The city may expand the convention center to 750,000 square feet in another 10 years, depending on demand.

Legal Structure

Security: Pursuant to the ordinance, as long as the series 1996 bonds and parity bonds are outstanding, the city has covenanted to levy a 9.00% HOT on the cost of occupancy on qualified hotel rooms. Of the 9.00%, 2.00% represents the expansion HOT pledged to the payment of the bonds and 7.00% represents the general HOT, of which three quarters (5.25%) is pledged to the payment of the bonds. The 2.00% expansion HOT is limited by law to fund expansion of an existing convention facility and pay debt service for such purpose. Bonds have a first lien on these revenue sources.

Debt Service Reserve Fund: A debt service reserve fund equal to MADS will be fully funded from bond proceeds.

Additional Bonds Test: The city can issue additional parity debt if tax revenues for 12 consecutive months out of the 18 preceding months are equal to at least 1.25x MADS on outstanding and prospective debt. Subordinate debt is permitted and may be issued as long as tax revenues for 12 consecutive months equal at least 1.00x on all outstanding and prospective debt, including subordinated debt.

Flow of Funds: The 2.00% expansion HOT revenues are deposited into the expansion HOT fund and transferred first to pay debt service, then to the reserve fund, if needed, then to pay the subordinate lien obligation, and finally to the facilities fund.

The 7.00% general HOT revenues are deposited into the general HOT fund, of which 5.25% is allocated to the pledged account to be used to pay debt service on the

Historical Performance — General Hotel Occupancy Tax

Fiscal Years	Total Revenue (\$000)	Tax Rate (%)	% Change	Hotel Occupancy Rate (%)
1985	8,828	6.0	—	67.0
1986	8,594	6.0	(2.6)	63.1
1987	10,246	7.0	19.2	60.7
1988	12,102	7.0	18.1	67.8
1989	14,486	7.0	19.7	68.8
1990	16,145	7.0	11.5	69.7
1991	16,774	7.0	3.9	70.1
1992	18,572	7.0	10.7	73.4
1993	22,065	7.0	18.8	72.8
1994	22,662	7.0	2.7	71.1
1995	24,241	7.0	7.0	67.2
Five-Year % Change	—	—	43.1	(3.4)
Five-Year Average Growth Rate	—	—	8.6	70.9
10-Year Average Growth Rate	—	—	10.9	68.5
Projected Rate	—	—	5.0	71.5

outstanding bonds (\$3.0 million series 1988 certificates of obligation), then to pay debt service on the series 1996 bonds, then to restore, if needed, the reserve fund, and finally transferred to the city's general account to be used for any lawful purpose.

Pledged Revenue and Debt Service Coverage

The general HOT was first levied in 1974 and historically has been applied toward the operating expenses of the city's convention facilities departments. The 2.00% expansion-HOT was first levied by the city in 1994 to be pledged specifically toward this project. All taxes are collected by the state. Pledged revenues for the 12 months ended Nov. 30, 1995 were \$25.6 million, which, based on an estimated MADS of \$15.5 million, provides 1.65x coverage of MADS. The bonds are structured with ascending debt service through 2012 and approximately level debt service from 2013–2026. Surplus fund balances may be used to call some of the bonds. This issue has been structured so that the pledged expansion HOT plus debt service fund and surplus fund earnings will be sufficient to cover debt service, assuming a 5.00% annual increase in expansion tax receipts. This scenario assumes that HOT revenues will grow at an annual rate of 2.00% during the Phase I construction period. The general HOT has generated annual growth of less than 5.00% only four times over the last 20 years and has declined only once during that

period. The general HOT has increased an average of 8.60% and 9.20% annually over the last five and 10 years, respectively (with annual inflation averaging approximately 3.50%). Further growth is expected for fiscal 1996, the result of strong tourist and business activity, including the National League of Cities conference and the National Basketball Association All-Star game.

San Antonio is a favored southwestern destination for conventions and tourism, its second largest industry. The convention center's proximity to the historic River Walk district adds to the facilities' attractiveness for discretionary and repeat business, as well as nondiscretionary business. Although the sensitivity of tax receipts to tourism trends is a concern, San Antonio has demonstrated a consistent and year-round appeal as a tourist and convention destination. National and international conventions hosted by the city have grown by nearly 80.2% since 1987. The city's current hotel room supply exceeds 23,500, with total projected rooms approaching 30,900. The top 10 hotels make up 19.9% of total rooms available and approximately 44.2% of the city's HOT receipts for fiscal 1995. Annual hotel occupancy rates have averaged 71.5% over the last five years.

While significant new hotel construction is under way and existing facilities are expanding, this trend reflects demand and, to date, has not led to excess capacity and price cutting. An additional 4,200 hotel rooms are in the planning stage, which, if developed quickly, could have a significant effect on hotel occupancy rates. However, it is likely that this planned development will be phased in over the next five years, allowing the convention center and local hotels to use the center's additional capacity without the need for immediately increasing hotel room supply.

Economy

San Antonio's economy has exhibited steady growth since the 1980s, continuing its evolution into a major urban center. Employment in the metropolitan statistical area (MSA), including Bexar, Comal, and Guadalupe counties, has been especially strong relative to the dramatic losses in other Texas cities and recessionary declines elsewhere in the U.S. Unemployment rates in San Antonio at 5.4% in 1994 compare favorably with those of the state and U.S. at 6.4% and 6.1%, respectively. Preliminary data for September 1995 indicate a 4.7% unemployment rate in San Antonio versus 4.6% in September 1994.

The MSA's civilian labor force continues to rise, reflecting the strong underlying economy and job base. In the yearly periods ending September 1994 and September 1995, job gains increased by 3.3% and 4.4%, respectively. Between September 1992–September 1995, MSA non-agricultural employment saw growth in every major sector, especially in construction, which rose 33.0%. Service sector employment accounts for 29.0% of MSA jobs and includes em-

Projected Debt Service Coverage — Base Case

Fiscal Years	Total Pledged \$0.0725 HOT (\$000)	\$0.02 HOT Revenues* (\$000)	Annual % Growth	Total Revenue Coverage (x)*	Total Revenue MADS Coverage (x)**	\$0.02 HOT Revenue Coverage (x)*	\$0.02 HOT Revenue MADS Coverage (x)**
1997	27,056	8,665	—	3.56	1.74	1.14	0.56
1998	28,658	9,164	5.76	3.77	1.84	1.21	0.59
1999	29,875	9,585	4.59	3.93	1.92	1.26	0.62
2000	31,174	10,051	4.86	3.47	2.01	1.12	0.65
2001	32,677	10,523	4.70	3.48	2.10	1.12	0.68
2003	36,842	11,799	6.15	3.53	2.37	1.13	0.76
2005	41,485	13,229	5.54	3.55	2.67	1.13	0.85
2012	58,776	16,214	5.10	3.78	3.78	1.21	1.21

*Includes surplus fund earnings and interest earnings in the debt service reserve fund. **Maximum annual debt service of \$15.5 million in 2012 and beyond.

Projected Debt Service Coverage — Stress Test

(No Revenue Growth after Five Years)

Fiscal Years	Total Pledged \$0.0725 HOT (\$000)	\$0.02 HOT Revenues* (\$000)	Annual % Growth	Total Revenue Coverage (x)*	Total Revenue MADS Coverage (x)**	\$0.02 HOT Revenue Coverage (x)*	\$0.02 HOT Revenue MADS Coverage (x)**
1997	27,056	8,665	—	3.56	1.74	1.14	0.56
1998	28,658	9,164	5.76	3.77	1.84	1.21	0.59
1999	29,875	9,585	4.59	3.93	1.92	1.26	0.62
2000	31,174	10,051	4.86	3.47	2.01	1.12	0.65
2001	31,174	10,051	0.00	3.32	2.01	1.07	0.65
2012	31,174	10,051	0.00	2.01	2.01	0.65	0.65

*Includes surplus fund earnings and interest earnings in the debt service reserve fund. **Maximum annual debt service of \$15.5 million in 2012 and beyond.

ployment at the city's more than dozen hospitals as well as private health care providers. The city also has seven colleges and universities. Manufacturing represents only 8.0% of wage and salary employment, although Levi Strauss & Co., Sony Microelectronics, and Diamond Shamrock all have significant operations in the city.

Government employment, constituting a significant 21.4% of total nonfarm employment, includes various military installations and facilities. In June 1995, the Defense Base Closure and Realignment Commission voted to close Kelly Air Force Base by 2001, reducing personnel to 11,000 from 19,000 in 1995. The city established a committee to develop strategies for the redevelopment of Kelly. The long-term plan includes privatization of defense-related operations by aerospace industries and the development of civilian and commercial manufacturing, warehouses, and aircraft maintenance facilities, which are projected to attract 10,000 new jobs to the area.

San Antonio continues to strengthen its position as a finance and trade center. The city is the corporate headquarters of USAA Insurance, with Citicorp and NationsBank Corp. having large operations as well. The city has strong cultural and economic ties with Mexico. Of total trade between the U.S. and Mexico, 50% of export and 35% of import goods travel through the city. More than 350 area companies do business with Mexico, and 30 Mexican-based businesses have locations in the city. The North American Development Bank — a binational institution funded by the U.S. Congress — is headquartered in San Antonio and began issuing loans in December 1995 to help finance environmental infrastructure projects along the U.S./Mexico border. Further enhancing its international relations, the city has established inland port and foreign trade zones and maintains Mexican trade offices in Monterrey, Guadalajara, and Mexico City.

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Moody's **Municipal** Credit Report

San Antonio, Texas

March 11, 1996

	New Issue	General Obligation/Special Tax
sale:	\$183,920,000	Hotel Occupancy Tax Revenue Bonds, Series 1996
date:	Expected through negotiation March 12	

Moody's rating: A
Hotel Tax Revenue

credit comment: Moody's has assigned an **A** rating to the City of San Antonio's Hotel Occupancy Tax Revenue Bonds. The rating incorporates the strength of this tourist destination, historical growth of pledged revenues and the amount of debt outstanding secured by this potentially vulnerable revenue stream.

Continued Growth in Pledged Revenues and Adequate Debt Service Coverage

Hotel occupancy taxes have grown 50% since 1990 and provide adequate coverage of maximum debt service. Collections for the first quarter of 1996 have kept pace with the same period for 1995. No additional borrowing is planned for ten years.

Importance of Tourism to Regional Economic Center of South-Central Texas

Dominant economic components remain the military, tourism, service and trade. NAFTA will add to diversification of the economy. Tourism is the second

largest component of the economy after the military. Further investment by private industry continues.

Vulnerability of Pledged Revenues To Downturns In The Economy

While hotel occupancy tax revenues have performed well historically, they are vulnerable to economic downturns. Challenges to continued growth, notably water supply issues and the closure of Kelly Air Force Base, could negatively impact this revenue stream.

Slow Payout Relative To Useful Life Of The Asset is Noted

Debt for this issue is retired at a rate below the practical useful life of the convention center, which was last upgraded in 1987. The city plans to shorten the final maturity by using surplus revenues collected from the 2% tax for early retirement of debt.

key facts:

Security: First lien on and pledge of a dedicated 2% hotel occupancy tax and a second lien on 75% of the city's 7% hotel occupancy tax, until prior lien bonds are retired in 2008.

Hotel Occupancy Tax Bonds

Outstanding: \$183,920,000

Hotel Occupancy Tax Bonds,

Payout Ten Years: 9.4%

Fifteen Years: 29.2%

Growth in Hotel Occupancy Tax Revenues, 1990-1995:

50.1%

Coverage of Projected Maximum Annual Debt Service by 1995 Collections:

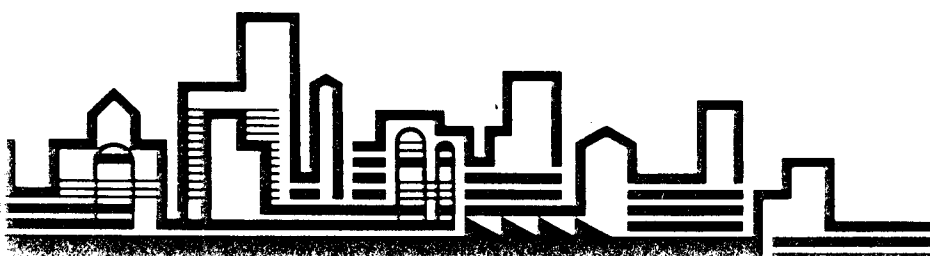
1.62x

Debt Burden:

5.4%

Median:

3.8%



San Antonio, Texas

Rate of Retirement, All Debt,		Per Capita Income, 1989,	
In 10 Years:	41.8%	City:	\$10,884
In 15 Years:	71.2%	State:	\$12,904
Direct Net Debt as % of		U.S.:	\$14,420
Overall Net Debt:	63.0%	Population Growth/(Decline),	
Average Annual Growth F.V.,		1970-80:	24.3%
1990-96:	1.9%	1980-90:	26.7%
Full Value per Capita, 1996:	\$26,097	Unemployment Rate, 1994:	5.4%
Full Valuation, 1996:	\$26,876,862,000	10/94:	4.9%
Undesignated General Fund Balance		10/95:	5.3%
as % of Total Operating Revenue,		Moody's Ratings,	
1993:	8.6%	General Obligation Bonds:	Aa
1994:	12.0%		

analysis:**Continued Growth in Pledged Revenues and Adequate Debt Service Coverage**

Hotel occupancy tax receipts continue to show steady growth as hotel occupancy rates remain stable and average daily room rates improve. The first quarter of fiscal 1996 shows hotel occupancy tax collections slightly ahead of the same period in 1995.

The city currently plans to use any excess funds collected from the 2% hotel occupancy tax to retire bonds. With current projections, the Series 1996 bonds would be retired in 2019 instead of 2026.

Importance of Tourism to Regional Economic Center of South-Central Texas

Tourism is an important component of San Antonio's economy, second only to the military. The private sector is continuing to invest substantially in the tourism market. Over 3,600 new rooms have been added since 1990 with 691 under construction. Hotel occupancy rates have averaged 70% since 1991, even with a corresponding rise in average daily room rates from approximately \$60 to over \$75.

The convention business is an important component of the overall tourism industry in San Antonio. The convention center is being expanded to accommodate larger groups and retain certain clients that need additional space. The planned expansion will approximately double exhibit space. Planned renovation of existing space will take place subsequent to the opening of the expansion to avoid any interruption in service.

Vulnerability of Pledged Revenues To Downturns In The Economy

There are ongoing lawsuits involving withdrawal of water from the Edwards Aquifer, the city's sole source of water. Proposed pumpage limitations on the aquifer could have an adverse material effect on the growth potential of the city.

The large military presence is an important economic component. The city has developed a reuse plan for Kelly Air Force Base, slated to begin closure in 1997. Successful implementation of this plan is key to the city's continued economic health.

San Antonio, Texas

sale information: **Legal Name of Issuer:** San Antonio, Texas.
 Date of Bonds: March 1, 1996.
 Security: First lien on and pledge of 2% Expansion
Hotel Occupancy Tax and 75% of existing 7% Hotel
Occupancy Tax.
 Use of Proceeds: To fund an expansion of the
convention center, renovate existing convention
center and related facilities and to pay costs of
issuance.

Key Contacts:
Chief Financial Officer: Nora Chavez, Director
of Finance, (210) 299-8620.
Co-Financial Advisor: First Southwest Com-
pany, San Antonio, (210) 208-9700.
Senior Managing Underwriter: Smith Barney,
Inc., Dallas, (214) 720-5074
Co-Bond Counsel: Akin, Gump, Strauss, Hauer
& Feld, L.L.P., San Antonio, (210) 270-0800.
Auditor: KPMG Peat Marwick, San Antonio, and
Martinez, Mendoza & Company, P.C., San
Antonio (FY 1994).
Co-Financial Advisor: Estrada Hinojos & Com-
pany, Inc., San Antonio, (210) 227-0800.
Co-Bond Counsel: Wicliff and Hall, Houston,
(713) 740-3100.

rating history: **Initial Rating, March 1996:**

A

analyst: Kristen Reifsnyder
(212) 553-1419

San Antonio, Texas

debt factors:

Debt Statement as of 03/04/96 (\$000):

	Amount
Bonded debt outstanding	
Gas and Electric System Revenue Bonds	\$2,501,853
General Obligation Bonds	744,593
Water System Revenue Bonds	586,625
Airport System Revenue Bonds	91,220
Golf Course System Revenue Bonds	5,960
Current offering (3/12/96)	
Hotel Tax Revenue Bonds, Series 1996	183,920
Gross bonded debt	\$4,114,171
Capital Leases	1,428
Gross direct debt	\$4,115,599
Less:	
Gas and Electric System Revenue Bonds	2,501,853
Water System Revenue Bonds	586,625
Airport System Revenue Bonds	91,220
Golf Course System Revenue Bonds	5,960
Self-supporting general obligation bonds	20,250
Net Direct debt	\$909,691
Overlapping debt	534,816
Overall net debt	\$1,444,507

Debt Ratios

Net Debt	Per Capita	Median [□]	% F.V.	Median (%) [□]
Direct	\$ 883	\$ 822	3.4	2.0
Overall	1,403	1,476	5.4	3.8

[□] 1995 median for cities with population 500,000 and over.

Rate of Retirement [□]

Principal Amount Due	Amount (\$000)	% of Total
In 5 years	\$157,190	21.2
In 10 years	370,039	49.9
In 15 years	605,843	81.7

[□] General obligation bonds only.

Security: Pledged revenues are (i) revenues from the 2% Expansion Hotel Occupancy Tax; (ii) revenues from the Pledged General Hotel Occupancy Tax, equal to 5.25%; (iii) investment income, and; (iv) certain other revenues.

Flow of Funds: Pledged revenues shall be deposited or transferred as follows:

1) The Expansion Hotel Occupancy Tax shall be deposited as received into the Expansion HOT Fund and transferred on or before the last business day of each month to the following funds in the following order of priority: (i) Debt Service Fund; (ii) Debt Service Reserve Fund; (iii) any funds created for

payment of subordinate obligations and related reserves, if any; (iv) Facilities Fund.

2) The General Hotel Occupancy Tax shall be deposited as received to the General HOT Fund and immediately allocated as follows: 75% of the General HOT Fund to the Pledged Account and 25% to the General Account. Money in the General Account is not pledged and may be used for any lawful city purpose. Money in the Pledged Account may be used on a parity basis (A) to the extent of revenue derived from 1% of the General Hotel Occupancy Tax for the payment of the Outstanding Obligations and (B) for the payment of the Hotel Occupancy Tax Bonds, and

San Antonio, Texas

related reserves. At least monthly prior to the last business day of the month, the city shall determine the amount necessary to from the Pledged Revenues to pay the Outstanding Obligations and the bonds. This determination will take into account available money in the Debt Service Fund and required deposits to the Debt Service Reserve Fund, if any. Funds in excess of this amount may be transferred to the General Account.

Debt Service Reserve Fund: The lesser of (i) 10% of original principal amount of the bonds, (ii) maximum annual debt service for all outstanding bonds or (iii) 125% of average annual debt service on all outstanding bonds. Will be fully funded with the delivery of the Series 1996 bonds, may be funded over 60 months for future series.

Additional Indebtedness: Additional parity bonds may be issued if, among other requirements, for the most recently completed fiscal year of any 12 month period out of the most recent 18 months, (i) pledged revenues are equal to at least 1.5 times maximum annual debt service on all bonds proposed to be

outstanding and (ii) pledged revenues are equal to at least 1.0 times the combined maximum annual debt service on all bonds and subordinate lien obligations proposed to be outstanding.

Refunding bonds are not required to meet the above tests if maximum annual and the average annual debt service for all bonds to be outstanding, will not exceed the maximum annual and the average annual debt service in any fiscal years prior to the issuance of the additional bonds with respect to the maximum annual debt service and in the prior fiscal year with respect to the average annual debt service.

CIP/Future Borrowing: The city has a capital program that includes approximately \$340 million through 2000. Almost half of the program is to fund improvements at the airport.

Structure: Overall, the city's debt is retired at an average rate with final maturity of all debt in fiscal 2015. Debt service increases from \$67.1 million in fiscal 1996 to \$74.0 million in fiscal 2002. It then declines through final maturity.

Rate of Retirement (\$000) ¹

Principal Amount Due	Amount (\$000)	% of Total
In 5 years	\$ 1,385	0.8
In 10 years	17,315	9.4
In 15 years	53,655	29.2

¹ Convention Center Bonds.

Sources and Uses of Funds (\$000s)

Sources	(\$ 000)	Uses	(\$ 000)
Bond Issue Amount:		Project Costs	\$187,830
Current Interest Bonds	\$154,090	Costs of Issuance	3,809
CABs	29,830	Debt Service Reserve Funds	15,541
Interest Earned During Construction	18,993	OID	5,971
Cash	10,239	Accrued Interest	824
Accrued Interest	824	Total Uses	\$213,975
Total Sources:	\$213,976		

San Antonio, Texas

Rate of Retirement (\$000s) ^①

Principal Amount Due	Amount (\$000)	% of Total
In 5 years	\$158,575	17.1
In 10 years	387,354	41.8
In 15 years	659,498	71.2

^① Includes general obligation and convention center bonds.

Trend of Pledged Revenues (fiscal years ended 9/30 \$000s)

Year	Value of 1% Hotel Occupancy Tax	% Change	Actual Amount Collected
1985	\$1,471	-	\$ 8,828
1986	1,432	-2.7	8,594
1987	1,464	2.2	10,246
1988	1,729	18.1	12,103
1989	2,069	19.7	14,486
1990	2,306	11.5	16,145
1991	2,396	3.9	16,774
1992	2,653	10.7	18,572
1993	3,152	18.8	22,065
1994	3,237	2.7	22,662
1995	3,463	7.0	24,240

Debt Service Coverage Hotel Occupancy Tax (\$000)

	Last 3-Year Average ^①	Fiscal 1995
Estimated Pledged Hotel Tax Revenues ^②	\$23,809	\$25,107
Maximum Annual Debt Service	15,541	15,541
Coverage by Pledged Revenues (x)	1.53	1.62

^① Fiscal years 1992-95.

^② Estimate of 7.25% Hotel Occupancy Tax Based on the value of 1% Hotel Occupancy Tax. Excludes investment income.

administrative
factors:

Form of Government: City council consists of the Mayor and ten council-members, each elected for a two-year term. Appointed city manager.

Public Employees: The city has approximately 8,525 employees.

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property
valuation and
tax data:

San Antonio

Fiscal Year	Assessed Valuation (\$000)	% Change	Tax Rate/ \$1,000 A.V.	Levy (\$000)	— % Collected — Current	Total
1985	\$17,057,305	6.4	\$4.19	\$ 71,538	94.9	97.9
1986	21,575,296	26.5	4.10	88,459	95.7	98.4
1987	23,783,375	10.2	4.10	97,512	96.0	99.4
1988	25,364,328	6.6	4.10	103,994	95.8	98.2
1989	25,025,657	-1.3	4.41	110,268	96.7	99.1
1990	23,997,762	-4.1	4.77	114,492	96.1	98.2
1991	23,550,044	-1.9	5.28	124,030	96.2	98.4
1992	22,567,235	-4.2	5.83	131,465	96.6	98.9
1993	21,950,835	-2.7	5.96	130,820	97.3	99.2
1994	22,480,585	2.4	5.96	133,978	97.3	99.2
1995	24,309,875	8.1	5.88	142,934	97.7	99.3
1996	26,876,862	10.6	5.80	155,812	In process	In process

1996 Full Valuation: \$26,876,862,000 Average Annual Growth F.V., 1990-96: 1.9%

1996 Equalization Rate: 100.0% 1996 F.V. per Capita: \$26,097

Largest Taxpayers <input type="checkbox"/>	Business	FY 1996 A.V. (\$000)
Southwestern Bell Telephone Company	Telephone utility	\$493,076
United Services Automobile Association	Insurance	357,569
H. E. Butt Grocery Company	Grocery chain	317,945
Methodist Health Care System	Hospital/healthcare	205,923
Melvin Simon & Associates, Inc.	Shopping center	133,782
Property Trust of America	Multi-family residential	130,436
North Star Mall	Shopping mall	112,418
Marriott Corporation	Hotel chain	111,502
Hyatt Regency	Hotel chain	108,547
Wal Mart Corporation	Retail	97,209

☐ Top ten taxpayers account for 7.7% of fiscal 1996 assessments.

San Antonio, Texas

San Antonio - Hotel Market Statistics

Year	Number of Rooms	% Increase	Average Daily Room Rate	Occupancy Rate (%)
1987	18,662	-	\$48.51	60.7
1988	19,662	5.4	50.17	67.8
1989	19,764	0.5	54.08	68.8
1990	19,973	1.1	59.14	69.1
1991	19,973	0.0	60.83	70.1
1992	20,362	1.9	65.50	73.4
1993	20,974	3.0	71.41	72.8
1994	21,841	4.1	73.63	71.1
1995	22,800	4.4	75.63	67.2
1996 <input type="checkbox"/>	23,583	3.4	-	-

☐ Year-to-date.

Top Ten Hotels 1995

Hotels	Hotel Occupancy Tax Paid	Number of Rooms
Marriot River Center	3,330	1,000
Hyatt Regency	1,994	633
Hyatt Hill Country	1,705	500
Hilton Palacio Del Rio	1,505	481
Marriott Riverwalk	1,491	502
La Mansion Del Rio	960	337
Holiday Inn (Riverwalk)	762	313
Menger	742	313
Plaza San Antonio	711	250
Embassy Suites N.W.	585	217
Percent of Total	56.9	19.9

economic factors:

Population: San Antonio

Year	Population	Area (sq. mi.)	Density	% Change			
				City	County	State	U.S.
1970	654,153	184	3,555	11.3	20.9	16.9	13.3
1980	813,118	264	3,084	24.3	19.1	27.0	11.4
1990	935,933	<input type="checkbox"/> 333	2,810	15.1	19.9	19.4	9.8

Source: U.S. Census Bureau.

☐ Land area in 1990 can indicate an area change without a boundary change due to new measurement technique.

Location: The county seat of Bexar County, San Antonio is located in south-central Texas approximately 75 miles south of Austin.

San Antonio, Texas

Population and Housing Characteristics: San Antonio

	1980	1990	State 1990	U.S. 1990
Population:				
Median age	27.2	29.8	30.8	32.9
% school age	22.8	20.6	20.3	18.2
% working age	56.3	60.4	61.4	61.7
% 65 and over	9.2	10.5	10.1	12.6
No. persons/household	3.0	2.8	2.7	2.6
Income:				
Median family income	\$15,859	\$26,885	\$31,553	\$35,225
% below poverty level	20.9	22.6	18.1	13.1
% children below poverty level		32.5	24.3	18.3
Per capita income	\$5,763	\$10,884	\$12,904	\$14,420
Housing:				
% vacant		0.4	2.2	3.0
% owner occupied	59.5	54.0	60.9	64.2
% built before 1939	14.1	8.6	7.1	18.4
% built since last census	25.9	25.5	29.7	20.7
Owner occupied median value	\$27,800	\$49,700	\$59,600	\$79,100
Median gross rent	\$209	\$369	\$395	\$447
Occupied housing units	258,984	326,761	-	-

Source: U.S. Census Bureau.

Labor Market Characteristics: San Antonio

Year	Labor Force	Total Employed	% Unemployed		
			City	State	U.S.
1991	446,647	414,953	7.1	6.6	6.7
1992	464,642	431,389	7.2	7.5	7.4
1993	478,255	448,185	6.3	7.0	6.8
1994	490,941	464,239	5.4	6.4	6.1
10/94	493,593	469,476	4.9	5.6	5.4
10/95	514,815	487,745	5.3	5.9	5.2

Source: Local Area Unemployment Statistics (LAUS), Bureau of Labor Statistics.

Monthly estimates are not seasonally adjusted.

LAUS estimates starting in January 1994 are conceptually different from those available for earlier periods.

Per Capita Income: San Antonio

Year	Income	% Change		City as % of	
		City	State	State	U.S.
1979	\$ 5,763	138.0	158.0	80.0	79.0
1989	10,884	88.9	79.1	84.3	75.5

San Antonio, Texas

financial factors: Operating Funds Financial Performance (fiscal years ended 9/30 \$000) ^①

	1992	1993	1994	— % Change —	
				1992-93	1993-94
Revenues	\$385,346	\$427,242	\$416,210	10.9	-2.6
Expenditures	396,671	388,821	423,873	-2.0	9.0
Operating surplus (deficit) ^②	(8,549)	18,083	16,122	-	-

^① General and Debt Service Funds. (modified accrual method of accounting).

^② General Fund only.

1994 Sources of Revenue	%	1994 Items of Expenditure	%
Property taxes	32.3	Public Safety	48.7
Revenues from utilities	31.5	Debt Service	23.6
Sales taxes	22.7	General Government	8.7
Charges for Services	4.1	Culture and Recreation	7.9
Gross Receipts Business Taxes	3.1	Health Services	2.2
Licenses and Permits	1.8	Streets and Roadways	2.0
Miscellaneous	1.8	Welfare	1.7
Fines and Forfeits	1.6	Economic Development and Opportunity	0.9
		Sanitation	0.6

General Fund Financial Position (fiscal years ended 9/30 \$000)

	1992	1993	1994
Cash and investments	\$12,127	\$18,354	\$37,098
Operating loans	-	-	-
Other current liabilities	12,798	15,916	16,623
Year-end cash surplus (deficit)	(\$671)	\$2,438	\$20,475
Receivables	20,953	35,422	31,668
Fund balance	23,591	41,674	57,796
Undesignated fund balance	18,982	36,630	49,932
Fund balance as % of revenues	7.3	11.9	15.9
Undesignated fund balance as % of revenues	5.8	10.5	13.8

San Antonio, Texas

Municipal Sales Tax Collections (calendar years ended 12/31 \$000s)

Year	Total Collections	Change
1987	\$54,043	-
1988	58,682	8.6
1989	63,891	8.9
1990	65,973	3.3
1991	70,286	6.5
1992	74,976	6.7
1993	83,416	11.3
1994	91,874	10.1
1995 <input type="checkbox"/>	97,564	6.2

☐ Projected annual collections based on collections through November 1995.

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